

City of Chicago, IL

Waste Collection Franchises



CITY OF CHICAGO

**Richard M. Daley
Mayor**

SEPTEMBER 9, 2008



Discussion Topics

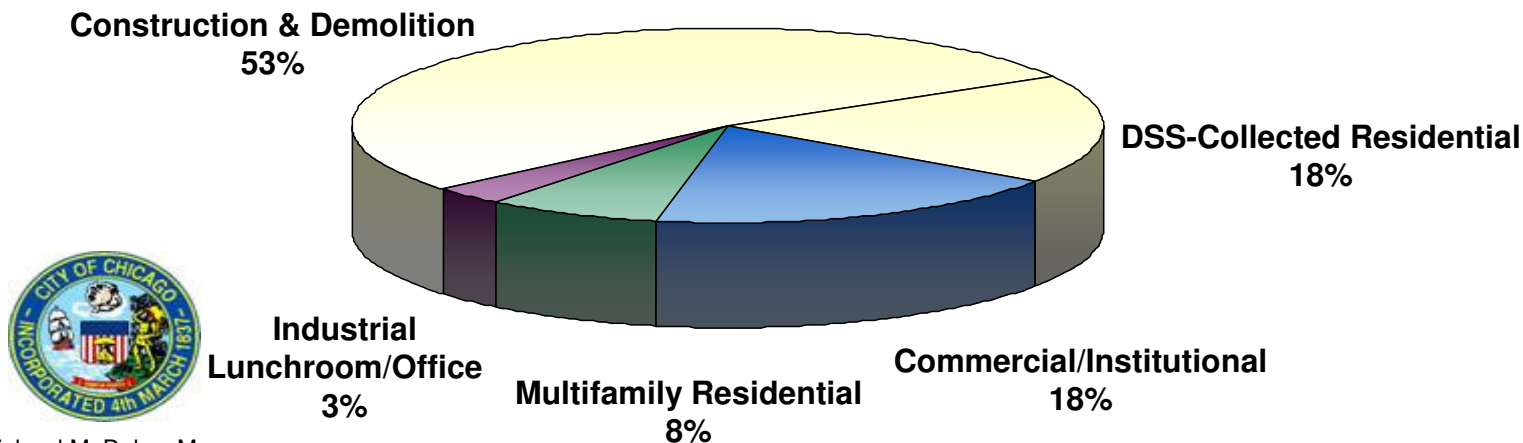
- How is waste currently collected in Chicago?
- What are the problems with the current system?
- What are exclusive franchises?
- What are the benefits of exclusive franchises?



Current Waste Collection in Chicago

- City of Chicago DSS collects from low-density (up to 4 units) residential buildings
- Privately-owned hauling companies manage remainder of collected waste
 - “Multi-family” residential (5 units and greater)
 - Commercial/Institutional
 - Industrial
 - Construction & Demolition

6.6 million tons of municipal solid waste were generated in Chicago in 2006



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Current Private Waste Collection in Chicago

- Customers contract with any hauler
- Prices paid are negotiated by individual customers
- Haulers typically bill customers for “fuel” & “environmental” surcharges



Results of Current Private Collection System

- Waste haulers charging wide disparity for same service even in same area
- Multiple haulers operating in single alley creating inefficiencies (Average of 4 haulers per alley)
- Fuel & Environmental surcharges currently 15% to 20%
- Enforcement of service and regulatory issues difficult
- Recycling service often not available or encouraged



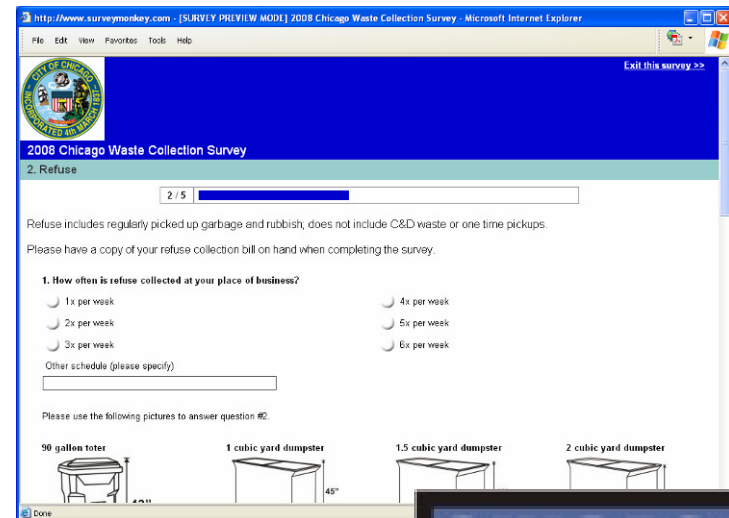
City Activities

- Passed an ordinance to require 50% recycling of C&D waste
- Initiated the 46th Ward Residential High-Rise recycling pilot with USEPA
- Initiated the Stadium Recycling project with USEPA
- Initiated a city-wide audit of all waste
- Investigated waste handling in more than 15 urban areas across the country
- Conducted a waste collection survey with businesses



2008 Waste Collection Survey

- First survey of its kind in Chicago
- Gained quantitative understanding of existing conditions
- 1,880 businesses participated
- 1,585 representative cost data points were obtained
- Multi-family residential data obtained from condo rebate applications



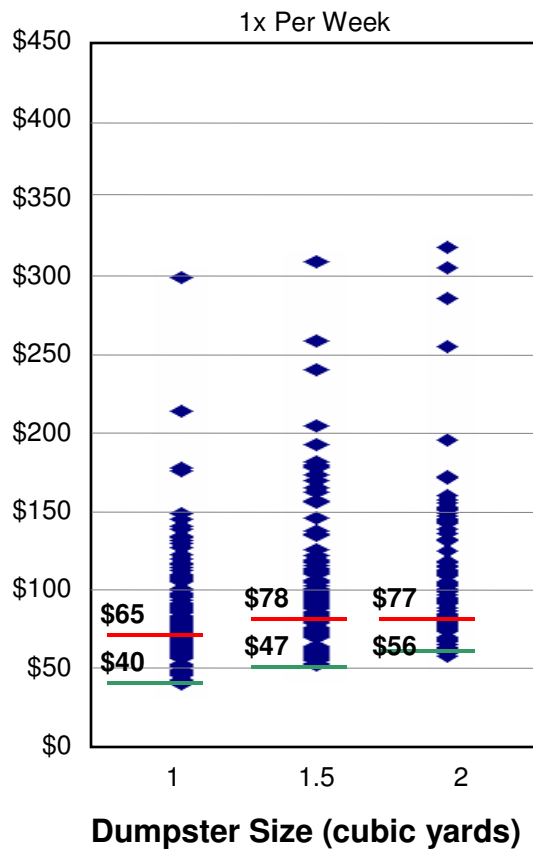
The screenshot shows a web browser window displaying the "2008 Chicago Waste Collection Survey" in "SURVEY PREVIEW MODE". The browser's address bar shows the URL "http://www.surveymonkey.com". The survey page has a blue header with the City of Chicago seal and the title "2008 Chicago Waste Collection Survey". Below the header, the survey progress is indicated as "2 / 5". The current question is "2. Refuse". The text below the question states: "Refuse includes regularly picked up garbage and rubbish, does not include C&D waste or one time pickups. Please have a copy of your refuse collection bill on hand when completing the survey." The question asks "1. How often is refuse collected at your place of business?" and provides radio button options: "1x per week", "2x per week", "3x per week", "4x per week", "5x per week", and "6x per week". There is also a text input field for "Other schedule (please specify)". Below the question, there is a prompt: "Please use the following pictures to answer question #2." and four images of waste containers: "90 gallon tote", "1 cubic yard dumpster", "1.5 cubic yard dumpster", and "2 cubic yard dumpster".



2008 Waste Collection Survey - Cost Analysis

— Current Median Cost
— Predicted Franchised Cost
 (with no-cost recycling)

Current Average/Range of Waste Collection Cost



Source: 2008 Chicago Waste Collection Survey
 Predicted pricing based on 3 local commercial franchise rates bid/awarded in Summer 2008



2008 Waste Collection Survey - Cost

- Business customers are paying more for less service in the same area of the City

	Location	Container Size	Service	Monthly Cost	Hauler
Food & Liquor Store	60621 Englewood	6 cy	2x per week	\$140.00	Hauler B
Grocery Store	60621 Englewood	8 cy	2x per week	\$115.00	Hauler AV

- Business customers are paying more for the same service in the same area of the City

	Location	Container Size	Service	Monthly Cost	Hauler
Auto Repair	60651 Humboldt Park	1.5 cy	1x per week	\$55.00	Hauler AN
Auto Repair	60651 Humboldt Park	1.5 cy	1x per week	\$96.70	Hauler AR
Auto Repair	60651 Austin	1.5 cy	1x per week	\$160.00	Hauler O



2008 Waste Collection Survey - Cost

- Restaurant customers are paying more for less service in the same area of the City

	Location	Container Size	Service	Monthly Cost	Hauler
Chinese Restaurant	60636 West Englewood	1.5 cy	2x per week	\$99.00	Hauler Q
Southern Restaurant	60636 West Lawn	2 cy	2x per week	\$63.00	Hauler AH

- Restaurant customers are paying more for the same service in the same area of the City

	Location	Container Size	Service	Monthly Cost	Hauler
Coffee Shop	60625 Ravenswood	1.5 cy	2x per week	\$244.00	Hauler G
Bakery	60625 Albany Park	1.5 cy	2x per week	\$100.00	Hauler O



2008 Waste Collection Survey - Recycling

Businesses

- 17% of businesses have a separate container for recyclables
- 8% of businesses participate in a “Blue Bag” program

Multi-family Residential Properties

- 10% of multi-family residential properties have a separate container for recyclables
- 12% of multi-family residential properties participate in a “Blue Bag” program



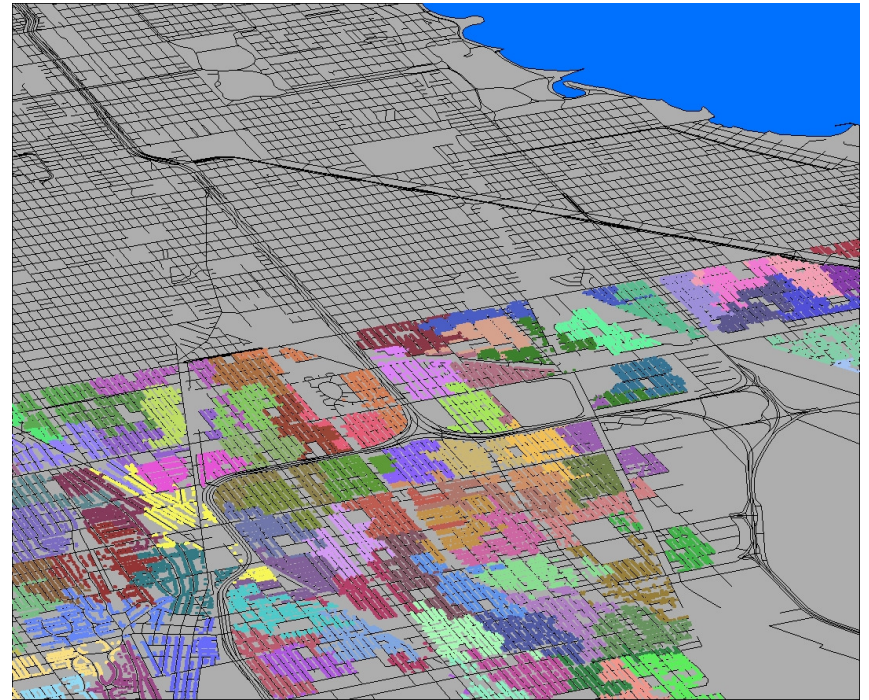
2008 Waste Collection Survey - Recycling

- Current recycling rate for privately collected ICI and multi-family residential waste is 22%
 - Industrial, Commercial and Institutional recycling rate is approximately 29%
 - Multi-family residential recycling rate is approximately 3 to 5%
- These rate differences are the result of the high density of recyclables generated in the Loop area
- The greatest potential for increasing recycling rates lies in the areas of the City outside the Loop



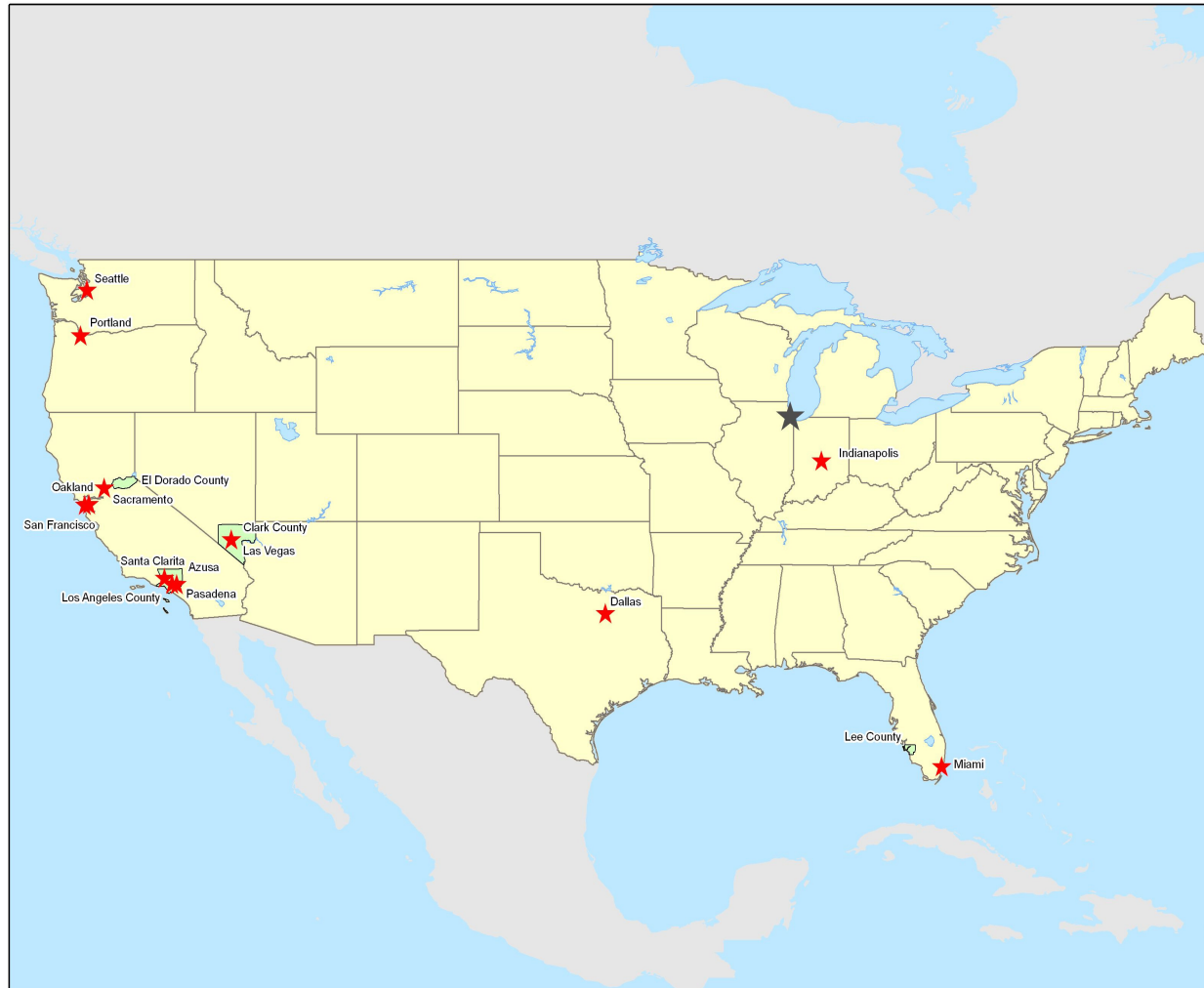
What is an Exclusive Franchise?

- An exclusive franchise is where a single hauler collects disposed materials and recyclables within a “Service Area”
- The franchisee must charge the same fee for all customers for the same size container and collection frequency within the Service Area



Commercial Waste Franchises in Major U.S. Cities

- Seattle
- Portland
- Las Vegas
- Indianapolis
- Miami
- Dallas
- LA County
- San Francisco



Where are commercial franchises used now?

- 20+ municipalities in the Chicagoland have franchised commercial waste collection (and increasing)
- Oak Park, Evanston, Niles and Mount Prospect commercial franchises are in procurement



Benefits of Waste Franchising

Benefits to Customers

- Uniform pricing within service areas & reduced costs
- Guarantee that no business will pay more than existing charges for one year
- Predictable and measurable escalators; usually based on CPI and (sometimes) fuel index
- Liquidated damages for violations of ordinances and missed pickups
- Liquidated damages for missed pickups caused by labor disputes (i.e., strike protection)



Benefits of Waste Franchising

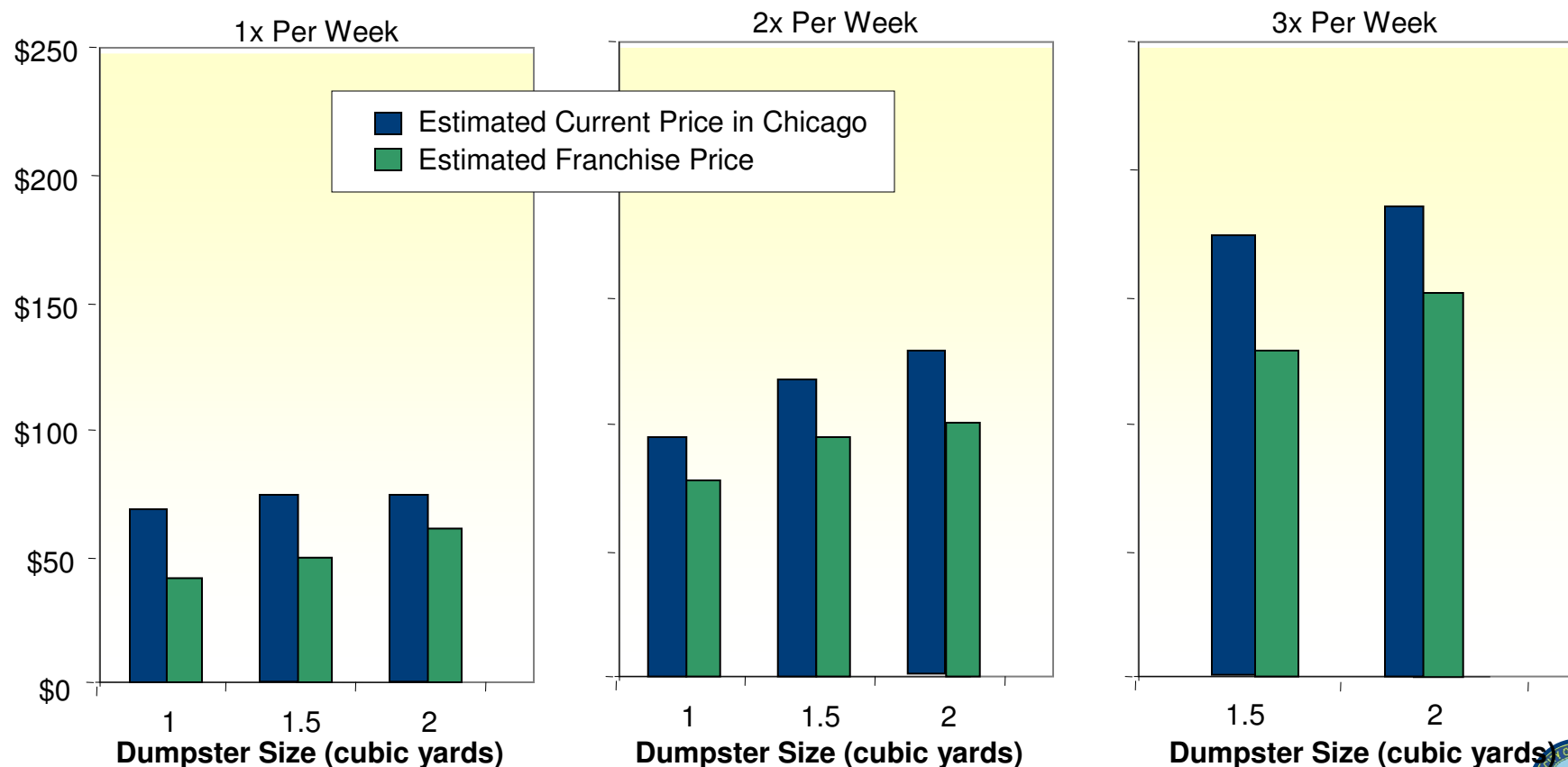
Environmental Benefits

- Pre-established rates encourage recycling (i.e., pseudo-PAYT program)
- Reduced cost for recycling service for customers
- Reduced number of average vehicle miles traveled (VMT) per collection truck
- Reduced truck traffic and prolonged alley life
- Reduced greenhouse gas (GHG) emissions



Franchising Benefits – Cost Savings

- 85% of customers will pay less for waste services



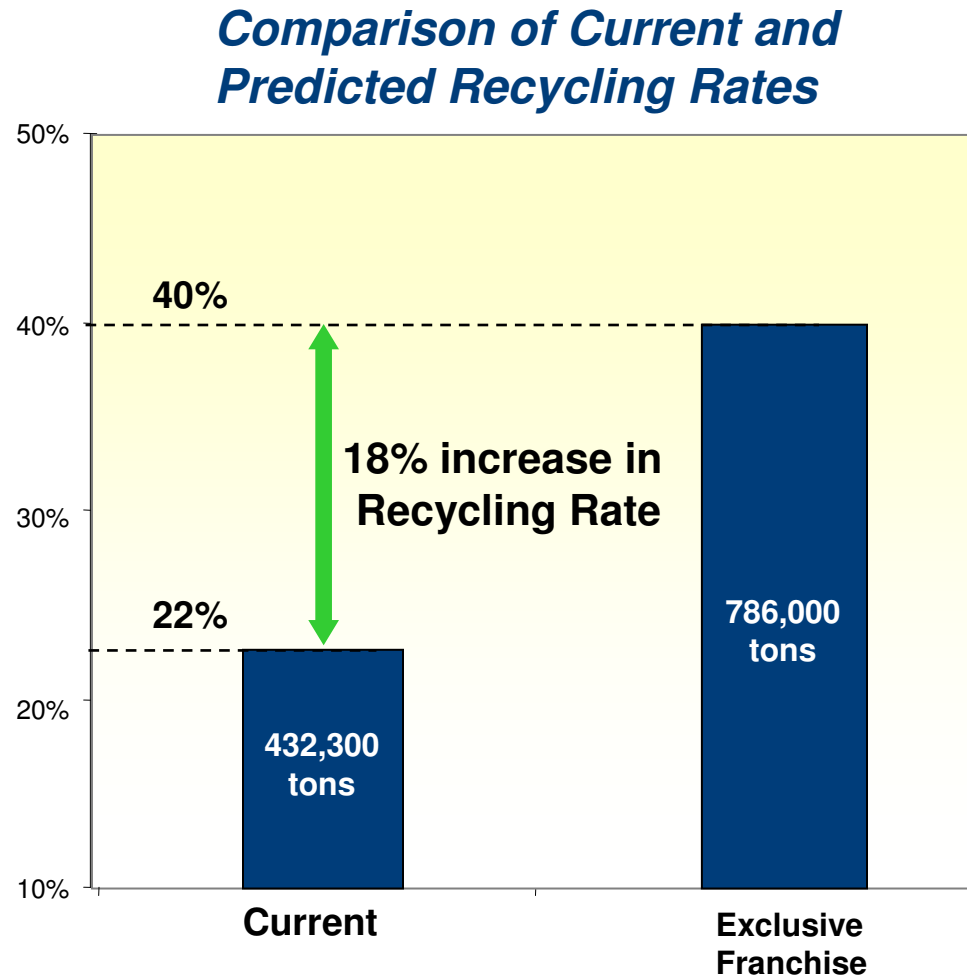
Current pricing based on 2008 Chicago Waste Collection Survey
Predicted pricing based on 3 local commercial franchise rates bid/awarded in Summer 2008
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Franchising Benefits – Recycling

- An 18% increase in recycling rate results in an additional 350,000 tons diverted from the landfill per year







Source: CDM (2008)

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Franchising Benefits – Traffic & Infrastructure

	Waste Trucks	Recycling Trucks
Current Collecting Fleet (22% Recycling rate)	 312 to 342	 69 to 83
	Total Trucks = 381 to 425	
Exclusive Franchise Fleet (40% Recycling rate)	 207 to 231	 151 to 168
	Total Trucks = 358 to 399	



Franchising Benefits – Traffic & Infrastructure

- Efficiencies anticipated with an exclusive franchise program will cause total trucks and total vehicle miles to decrease
- Total number of trucks will decrease 6% and vehicle miles traveled (VMT) will decrease by 19%
- Reduced VMT will reduce wear and tear of alley and street pavement, increasing life and reducing maintenance costs

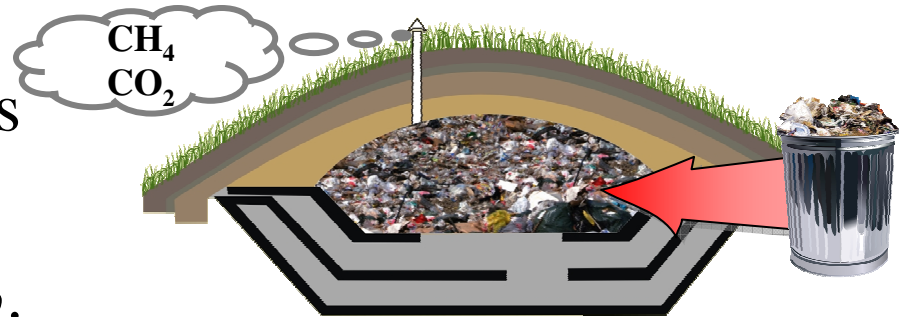
Trucks and Total Vehicle Miles Traveled

	Recycling Rate	# Trucks	% Truck Reduction	Average Annual VMT	% VMT Reduction
Current Collection	22%	381 - 425	-	7,246,000	-
Exclusive Franchise Program	40%	358 - 399	6%	5,893,000	19%



Franchising Benefits – Environmental Impacts

- An exclusive franchise could reduce annual GHG emissions from the current waste and recycling vehicle fleet and landfilled waste by up to 23%.



Total GHG Emissions from Vehicle Fleet and Landfilled Waste

Vehicle Fleet	Vehicle Fleet GHG Emissions (mt CO ₂ -eq)	Landfill GHG Emissions (mt CO ₂ -eq)	Total GHG Emissions (mt CO ₂ -eq)
Current Collection Program	18,300	570,500	588,800
Exclusive Franchise Program	14,900	438,800	453,700



Franchising Benefits – Environmental Impacts

- This GHG reduction is equivalent to taking approximately 25,000 passenger vehicles off the road for an entire year.



Franchising Benefits – Environmental Impacts

- An exclusive franchise could reduce toxic air pollutants including nitrogen oxides, sulfur oxides, carbon monoxide, and particulate matter by up to 27%.



Franchising Benefits – Job Creation

- 590 to 670 new recycling related jobs will be created from an 18% increase in recycling rate
- Up to 67 waste collection and sales jobs will be lost with the increase in recycling collection and improved collection efficiencies

Total Employment Impact

Recycling	590 to 670 jobs created
Waste Collection	(67) to 18 jobs lost
Total	523 to 688 jobs created



Proposal for Waste Franchising

- Establish 10-15 service areas
- Franchises would be awarded based on a competitive bid process
- Include all commercial, industrial lunchroom/office, institutional and multifamily residential establishments.
- Establish exemptions for beneficial use
- Require franchisee to provide separate containers and collection of recyclables
- Require recycling to be provided at no charge
- Term of agreement would be 7 years
- Establish liquidated damages for poor service



Proposal for Waste Franchising

- One hauler has an exclusive license to collect materials for each service area.
- Everyone in the service area pays the same amounts based on service level
- Customers will determine what level of service is needed
- Customers can share containers to reduce cost
- Customers can reduce costs by recycling more
- Customers will receive bills from the hauler with the costs set by the competitively-bid franchise agreement
- Customers contact the hauler directly with any service issues
- Customers and haulers can both contact the City with unresolved issues or concerns



Next Steps

- Gather feedback
- Continue outreach
- Formulate solution

